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INFO RUEHZA/WHA CENTRAL AMERICAN COLLECTIVE
RUEAUSA/DEPT OF HHS WASHDC
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RUCPDOG/DEPT OF COMMERCE WASHDC

C O N F I D E N T I A L PANAMA 002111

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E.O. 12958: DECL: 10/03/2016
TAGS: [ECON](#) [EINV](#) [EFIN](#) [BTIO](#) [CASC](#) [KMRS](#) [PM](#)
SUBJECT: AMCIT V. AMCIT IN PANAMA'S BOCAS DEL TORO

REF: A. PANAMA 317

[1](#)B. PANAMA 319

Classified By: CDA L. Arreaga for reasons 1.4 (d) and (e)

[1](#)1. (SBU) SUMMARY. Panama's Bocas del Toro archipelago is a complex region of islands, mainland bays, rivers and forested mountain slopes on the Caribbean side of the Panamanian isthmus 20 miles from the Costa Rican border. The area has a high diversity of marine and terrestrial ecosystems and is home to a Smithsonian Tropical Research Institute (STRI) site. Bocas is also the location of fisheries, agriculture, endangered sea turtles and manatees, and tourism/residential tourism, particularly of American citizen investors and retirees. The region's tiny government presence is hard pressed to cope with increasing demand for water, sewage, roads and environmental management. The local judiciary is subject to undue influence related to property disputes. The complexity of impending large scale development is challenging a weak regulatory environment and threatens to alter the character of the area irreparably, pitting American citizens against each other. However, interminable construction delays hinder the area's bigger projects, and offer a window of opportunity to put in place a regulatory framework for sustainable development. END SUMMARY.

DEVELOPER'S GRAVEYARD

[1](#)2. (SBU) Bocas del Toro's main island is Isla Colon where the town of Bocas del Toro is located. A few minutes by boat from town, the failed remains of multiple attempts at small scale resort development can be seen. Pylons stick out of the water from a former British investor who began building over the water villas without any of the requisite permits. On the cliff top sits an abandoned villa built by an Italian investor who never completed the project. On the island of Isla Solarte is one of the area's first attempts at large scale residential development, the stalled project of American investor Sheppard Johnson. Although 150 of the 183 homesites were sold, only 8 buyers have successfully constructed homes.

CONTROVERSIES ENTANGLE DEVELOPERS

[1](#)3. (C) Isla Solarte buyers allege Mr. Johnson failed to complete the infrastructure (golf cart paths, landscaping, etc.) promised in the sales cycle, will not transfer over titles to buyers who have paid in full nor sign the proposed Homeowner's Association regulations. Thirty to forty Amcit residents have filed fraud charges against Mr. Johnson in

Panama and there is a Panamanian warrant ("order of apprehension") for his arrest. Mr. Johnson was also the subject of an expose piece on Panamanian television claiming he sold land to which he did not have title. Post continues to monitor the legal progress of this case. Mr. Johnson (currently residing in Sacramento, CA) told Econoff that the criminal complaints are false and he is the subject of defamation by his buyers and his own legal counsel.

14. (C) On the island of Isla Bastimentos is the largest and best known development in the area, Red Frog Beach. After three years of construction, however, the worker's quarters and model home remain incomplete. Initially financed by the presale of 300 homesites, the developers appear to seek funding through a second phase (of almost 500 units) and loans as construction delays, labor strikes and environmental protests have dragged out the project timeline. The expansion of this project has brought a firestorm of environmental opposition (led by local Amcit residents) as the project now includes a golf course and the new home sites approach a national park. Red Frog's Amcit developers state they have made every effort to comply with Panama's environmental agency (ANAM) requirements and are constructing in an environmentally responsible manner.

15. (C) Red Frog Foundation Director Aaron Jones told Econoff he feared for the indigenous populations in the area. (The Foundation runs a number of social projects using donations from Red Frog buyers and matching grants from the development.) The Red Frog development includes a 250 boat marina to be built where members of the Ngobe Bugle tribe currently reside. Jones believes the Ngobe Bugle may abandon the area completely or ultimately become employees of the resort.

16. (SBU) On the Island of Colon, American developers Ross and Phil Hagan are building Sunset Point, a development of 108 homes and 66 condominiums on 200 acres near the STRI facilities. This development involves the digging of significant channels to provide boat parking for most of the properties. Media reports state that when questioned about the environmental impact of the development Phil Hagen said they had all the requisite environmental permits and rejected Smithsonian claims that the project damages the surrounding reefs and mangroves.

17. (SBU) Two other major projects on Isla Colon by Panamanian developers, Bocas del Drago (Starfish Beach) and a rumored Decameron Resort at Bluff Beach are believed to be in the planning stage. Bocas del Drago investors allegedly include President Torrijos who visits the area regularly courtesy of his friend and fellow investor, Jorge Romero.

18. (SBU) The proposed site of the Decameron Resort is actually the location of several existing homesites. A well connected Panamanian family (Sofer) who abandoned the land some 30 years earlier is challenging the subsequent subdivision and sale of this land in 2003 by the intervening resident to the current owners (including some American citizens). However, the intervening resident appears to have established "prescriptive rights" under Panamanian law by residing and caring for the land for over 15 years and the new buyers are in possession of Rights of Possession certificates issued by the GOP authorities at the time of the sale. The local court has ruled in favor of the family who abandoned the land 30 years ago and the cases are in appeal.

MAYOR CALL FOR "TIME OUT"

19. (SBU) Bocas del Toro Mayor Eligio Binns told Econoff that his primary concern is the 13,000 ordinary citizens of the area. While he acknowledged the employment opportunities brought by development, he asserted the resulting urbanization would not provide improved economic conditions. He said local government was not receiving the economic benefits from large development. The taxes, permit fees and

other government charges are collected by federal level agencies but are not necessarily redistributed to the local offices of federal agencies or the municipality proportionately. He proposes stopping all large projects which have not yet received approval until April 2007 to allow time to develop an ecologically sustainable development plan for the area.

U.S. INTERESTS PULLED IN TWO WAYS

¶10. (SBU) Comment: The struggle for the soul of Bocas del Toro will continue for several years. Moreover, the conflicting interests of resident American citizens and American developers will likely intensify, potentially pulling the Embassy in divergent directions as each side seeks USG support. Meanwhile, the locals may have more time than they think as construction delays are significant and existing projects have yet to demonstrate financial viability. Early indications are that developers vastly underestimate the time and cost of their projects. Unable to go back to presale buyers for additional funds, their choices are to abandon their projects, cut back on delivery, or expand further to capture additional sales. Project expansions can create a pyramid scheme and invite further environmental controversy. Because ANAM and its local representation appear unprepared to properly regulate large development in this delicate area, the rules and regulations are constantly evolving. Remaining "compliant" while the goal posts are moving creates uncertainty and increases costs for the developers but may be the region's only hope to protect the local populations and ecosystem from irreparable transformation.
ARREAGA